

Minutes Of The Board Of Trustees City Of Cincinnati Retirement System December 8, 2005

Mr. Moller served as the Chairman in the absence of Mr. Radford, and called the meeting to order at 1:30 p.m. with the following members present:

William Moller, Secretary
David E. Rager, Acting City Manager
Michael Rachford
Ely Ryder
Brian Pickering
Marijane Klug

Member/s Absent

V. Daniel Radford, Chairman
Mark Mallory, Mayor
Joe Harrison
John Cranley, Councilmember

The Chairman called for a motion to approve the minutes of the November 3, 2005 Board Meeting. Mr. Pickering called for a correction to the asset allocation data as well as a grammatical change to the Deferred Retirement information. The Chairman requested the changes be made and the minutes will be amended as noted. The motion to approve the minutes was made by Mr. Moller, seconded by Mr. Pickering and carried by the Board.

The Board met in Executive Session at 1:45 p.m. to review a legal matter with the City Solicitor. The audience was excused until the session ended at 1:55 p.m.

BENEFITS COMMITTEE

Mr. Rachford reported that the Benefits Committee met on November 29, 2005, at 2:00 p.m. in Committee Room B. Mr. Rachford presented the following report to the Board.

1. Application for Ordinary Retirement December 4, 2005: Total – 11

NO.	NAME	DEPARTMENT
43442	Sherry Corrado	University Hospital
43643	Wilma Hays	University of Cinti.
43895	Barbara Huber	University Hospital
43933	Sandra Pfankuch	University of Cinti.
45341	Rhonda White	Convention Center
45987	Grandison Embry	Public Services
48801	Dennis Cliff	Public Services
49955	Woodrow Phelps	MSD
51070	Victoria Holloway	Health
51304	Warren Henry	MSD
51402	Cecelia Walker	Police

2. Application for Retired Members Deaths: Total – 17

3. Application for Ordinary Disability Retirement: Total - 1

NO.	NAME	DEPARTMENT
45822	Elois Baskin	Public Services

Mr. Rachford moved that the Board accept the report of the Benefits Committee. The motion was seconded by Ms. Klug and carried by the Board.

INVESTMENT COMMITTEE

Mr. Moller reported that the Investment Committee met on November 4, 2005 at 1:30 p.m. in Committee Room B. At that meeting, Shenkman Capital, the high yield fixed income manager, met with the Committee to discuss investment performance, investment process, economic outlook, etc. Mr. Moller commented that detailed notes from this meeting with Shenkman are provided in the Investment Committee minutes.

Mr. Moller also reported that the investment consultant presented the Committee with the investment performance report for the quarter ending September 30, 2005. The total fund return for the quarter was 3.93%, exceeding the return of the Cincinnati benchmark (3.49%) by 44 basis points. Year-to-date returns for the total fund were 5.28%, which exceeds the Cincinnati benchmark (4.26%) by 102 basis points.

No watch list actions were taken at this meeting. Mr. Ryder urged the Investment Committee at their next meeting to take stronger action against the investment managers that are currently on the watch list.

SECRETARY'S REPORT

Mr. Moller reported that as of October 31, 2005 the asset level of the fund was \$2.37 billion, a year-to-date decrease of about 1.1%. Over the past twelve months, the asset level of the fund has increased by about 0.5%.

Mr. Moller also commented that the asset allocation to international equities remains above it's current target level, but assets have not been withdrawn from the international managers as the recently completed asset/liability study is recommending an increased allocation to international equities. Mr. Moller also indicated that the cash needed to meet the monthly pension payroll/healthcare bills have been withdrawn from the fixed income managers as the asset/liability study is recommending a decreased allocation to the fixed income asset class.

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 32
2. Resolution for Return of Contributions & Death Benefits– Total: 36
Amount: \$119,924.18
3. Resolution for Loans to Members – Total: 76 Amount: \$849,824.46
4. Report on Deaths of Pensioned Members – Total: 16
5. Resolution for Military Service Credit - Total: 2

The Secretary submitted the following vouchers for payment:

PAYEE	AMOUNT
City of Cincinnati – Treasurer – Return of Palmetto GBA Payments	\$336,086.01
Levi Ray & Shoup Inc. – Professional Services Rendered	\$3,750.00
Paul T. Hogle, M.D. – Professional Services Rendered	\$3,030.00
Lee Personnel Inc. – Temporary Personnel Services	\$2,202.85
Fifth Third Bank- Custodial Fee from 7/1/05 - 9/30/05	\$25,145.18
NCPERS – 2006 Annual Membership Dues for Board of Trustees	\$300.00
Lee Personnel, Inc. – Temporary Personnel Services	\$2,111.54
City of Cincinnati Printing Services – Charges for the month of Nov. 2005	\$5,512.20
Time Value Software – Professional Services Rendered Financial Calculators	\$100.00
Business Information Solutions, Inc. – Storage of CRS files	\$92.32
State Teachers Retirement System – Reciprocity payment for prior service credit for Arlene Hampton (Williams)	\$4,485.08

The Secretary reported that at the close of business November 30, 2005, there was in the Treasury to the credit of the Retirement System the amount of \$198,977.52.

Asset Valuation:

- December 31, 2004: \$2.40 billion
- October 31, 2005: \$2.37 billion
- YTD Increase (Decrease): (1.08%)

Current Asset Allocation: (Policy Objective)

- Domestic Equity: 50.6% (50%)
- International: 14.8% (13.5%)
- Fixed Income: 33.2% (33.5%)
- Alternative Assets/Treasury Cash: 1.4% (3%)

PENDING BUSINESS

As directed by the CRS Board at the October 6, 2005 meeting, the retirement staff provided a plan for implementing the asset allocation recommended in the asset/liability study. The recommended asset allocation is 50% domestic equities, 16% international equities, 26% fixed income, 4% real estate, 2% private equity, and 2% cash.

Because the CRS does not have a dedicated allocation to cash, the retirement staff recommended consolidating the 2% cash allocation with the 26% fixed income allocation as this is the asset class with the most similar risk characteristics. The staff also recommended that until the real estate and private equity allocations targets are met, the under-allocation to those asset classes be spread proportionally across all the other asset classes. This would result in interim target allocations of 52.74% domestic equities, 16.88% international equities, 29.53% fixed income, and 0.85% private equity.

The CRS staff further recommended the following:

- Rebalance portfolio by transferring \$30 million from domestic fixed income to international equities.
- Continue to withdraw cash from fixed income managers until interim target allocations are met.
- Use the most over-target asset classes to fund real estate and private equity investments.

Mr. Moller suggested that this implementation plan be forwarded to the Investment Committee for further discussion. Mr. Ryder commented that since it will be some time before the Investment Committee meets again, he would like the Board to go ahead and take action on the recommendation. Mr. Ryder moved that the Board adopt the CRS staff's recommendation for implementing the new asset allocation, and that implementation of the plan proceed as soon as possible. Mr. Pickering seconded the motion, and the motion passed unanimously by a vote of 6-0.

Public Comments

Retired CRS member Denny Davis asked if investment performance of the total fund as of November 30, 2005 was available. The CRS staff indicated that un-audited data provided by the custodial bank indicates year-to-date investment performance of about 5.5%.

Retired CRS member Kevin Shepard asked if any decision had been made in the budget process regarding the City's contribution rate for 2006. Mr. Moller commented that the budget has not yet been completed, but an increase in the City contribution rate is definitely under consideration.

CRS Staff Updates

Mr. Pickering asked Mr. Moller for an update on the hiring of a Pension Fund Manager as well as selection of the Citizen Board member. Mr. Moller indicated that a contract was being finalized with an executive search firm to help recruit candidates for the Pension Fund Manager position. Mr. Moller also reported that both he and Mr. Radford had met with a candidate that they both liked for the Citizen Board member, and they may bring forward a recommendation to the Board after the 1st of the year.

Mr. Moller also reported that the CRS had recently hired a new staff member to fill a vacant Senior Management Analyst position. Mr. John Dietz will be transferring to retirement from the city's budget office in early January.

ADJOURNMENT

Upon request of the Chairman for a motion to adjourn, the motion was made by Mr. Moller, seconded by Mr. Ryder and carried by the Board. The meeting was adjourned at approximately 1:55 p.m.